

# Morgan Stanley

13 July 2020

**Neles Corporation**  
Vanha Porvoontie 229  
01380 Vantaa  
Finland

Members of the Board of Directors:

We understand that Neles Corporation (the “*Company*”) and Alfa Laval AB (the “*Offeror*”) have entered into an agreement, dated 13 July 2020 (the “*Combination Agreement*”), which provides, among other things, for the commencement by the Offeror of a voluntary public offer for all the outstanding issued ordinary shares in the Company (the “*Company Shares*”) of Neles Corporation (the “*Company*”, and the “*Transaction*”) for €11.50 in cash per Company Share (the “*Offer Price*”). We further understand that the Company’s second most significant shareholder has executed an irrevocable undertaking for the benefit of the Offeror to accept the Offer Price in the context of the Transaction. The terms and conditions of the Transaction are more fully set forth in the Combination Agreement.

You have asked for our opinion as to whether the Offer Price offered to the holders of Company Shares other than the Company is fair from a financial point of view to such holders of the Company Shares.

For purposes of the opinion set forth herein, we have:

- (a) reviewed certain publicly available financial statements and other business and financial information of the Company (“*Public Information*”);
- (b) reviewed certain internal financial statements and other financial and operating data concerning the Company;
- (c) reviewed a business plan prepared by the management of the Company, which includes certain initiatives planned to be undertaken by the Company (collectively, the “*Initiatives*”);
- (d) discussed the past and current operations and financial condition and the prospects of the Company with senior executives of the Company;
- (e) reviewed the reported prices and trading activity for the Company Shares;
- (f) reviewed analysts’ price targets for the Company Shares;
- (g) compared the financial performance of the Company and the prices of the Company Shares with that of certain other publicly-traded companies comparable with the Company, and their securities;
- (h) reviewed the financial terms, to the extent publicly available, of certain comparable transactions as well as control premia;
- (i) participated in certain discussions and negotiations among representatives of the Company and the Offeror and their financial and legal advisors;
- (j) conducted illustrative intrinsic financial analyses based on, among other things, the estimated discounted cash flows of the Company and the impact of the realisation of the Initiatives on the intrinsic value of the Company;

# Morgan Stanley

- (k) reviewed, for information purposes only, the Combination Agreement and certain related documents; and
- (l) performed such other analyses, reviewed such other information and considered such other factors as we have deemed appropriate.

In forming our opinion, we have also taken into account and relied upon (in each case without independent verification):

- (a) the accuracy and completeness of the Public Information available or supplied or information otherwise made available to us by the Company, and formed a substantial basis for this opinion;
- (b) the commercial assessments of the management of the Company and the financial projections as reflected in the Company's business plan, including, without limitation, the Initiatives, in relation to which we have assumed that such projections, have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of the Company of the future financial performance of the Company;
- (c) that the Transaction will be consummated in accordance with the terms set forth in the Combination Agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley has assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed Transaction, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed Transaction;
- (d) the fact that the Company has taken its own legal, tax, accounting, regulatory or actuarial advice. We are financial advisors only and have relied upon, without independent verification, the assessments of the Company and its legal, tax, accounting, regulatory or actuarial advisors with respect to legal, tax, accounting, regulatory or actuarial matters. Furthermore, for the purpose of our analysis, we have not made any independent valuation or appraisal of the assets or liabilities of the Company, nor have we been furnished with any such appraisals.

We express no opinion with respect to the fairness of the amount or nature of the compensation to any of the Company's officers, directors or employees, or any class of such persons, relative to the consideration to be paid to the holders of the Company Shares in the Transaction.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion.

We have acted as financial advisor to the Board of Directors of the Company in connection with this transaction and will receive a fee for our services which is contingent upon the closing of the Transaction. In the two years prior to the date hereof, we have provided financial advisory for the Company and have received fees in connection with such services. Morgan Stanley may also seek to provide such services to the Offeror and the Company in the future and expects to receive fees for the rendering of these services. Please note that Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Our securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment management, banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of the Offeror, the Company or any other company or any currency or commodity that may be involved in this transaction or any related derivative instrument.

# Morgan Stanley

This opinion has been approved by a committee of Morgan Stanley investment banking and other professionals in accordance with our customary practice. This opinion is for the information of the Board of Directors of the Company only and may not be used for any other purpose without our prior written consent. This opinion is not addressed to and may not be relied upon by any third party, including, without limitation, employees, creditors or shareholders of the Company. In addition, this opinion does not in any manner address the prices at which Company Shares have traded or will trade following the announcement or consummation of the Transaction and Morgan Stanley expresses no opinion or recommendation as to whether shareholders of the Company should tender Company Shares in the Transaction or how such shareholders should act with respect to the Transaction or otherwise.


It is understood that the views set forth in this letter are within the scope of, and provided on and subject to, the engagement letter dated 6 July 2020 and the associated letter of indemnity dated 1 July 2020 between Morgan Stanley and the Company.

We have taken the facts, events and circumstances set forth in this opinion, together with our assumptions and qualifications, into account when determining the meaning of “fairness” for the purposes of this opinion. For the purposes of our opinion, we have not considered the circumstances of individual shareholders.

Based on and subject to the foregoing, we are of the opinion on the date hereof that the Offer Price to be received by the holders of shares of the Company Shares is fair from a financial point of view to such holders of the Company Shares other than the Company.

Yours faithfully,

MORGAN STANLEY & CO. INTERNATIONAL PLC



**Karsten Hofacker**  
Managing Director